

FastTrack

TENNESSEE
ECONOMIC &
COMMUNITY
DEVELOPMENT

TENNESSEE
ADVANTAGES IN THE AUTOMOTIVE INDUSTRY

TENNESSEE: AUTOMOTIVE POWER

AT THE CENTER OF THE INDUSTRY

As the American automotive industry makes a decided shift to the southern states, more and more automakers and suppliers are discovering a wealth of opportunity at the very center of this new Southern automotive corridor: Tennessee. It's the place where Nissan North America, Inc. has produced more than four million vehicles. Where Peterbilt Motor Company builds one of the world's most popular lines of semi-trucks. And where General Motors, after one of the most extensive site searches in history, chose to build the innovative Saturn Corporation.

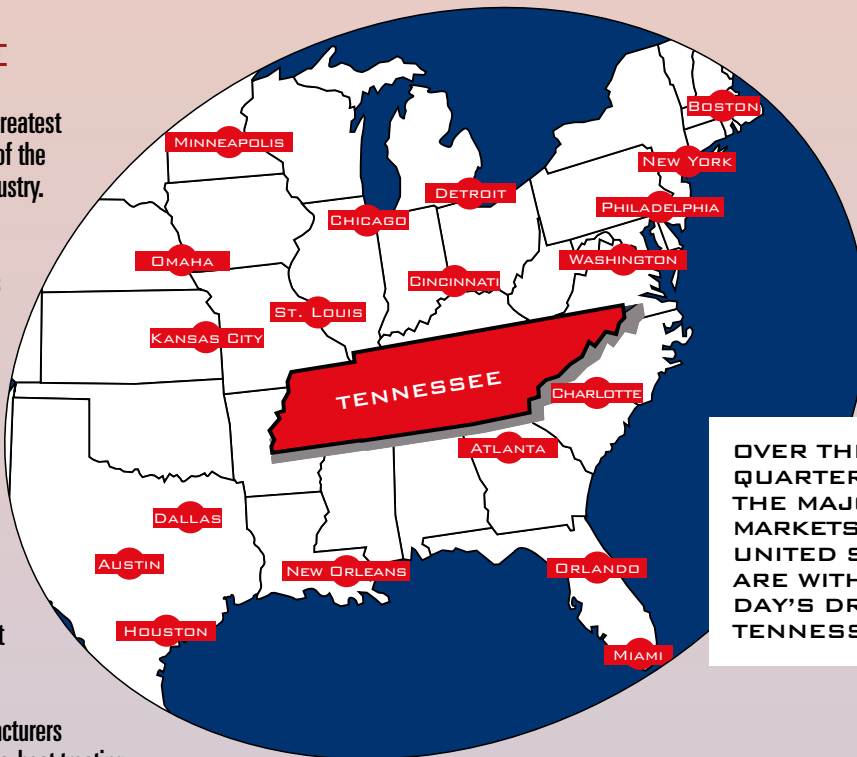
To say the automotive industry is thriving in Tennessee would be an incredible understatement. More than 1,000 automotive suppliers are located throughout the state and 40% have announced plans to expand their existing facilities, with capital investments totaling \$1.1 billion.

ADVANTAGE: TENNESSEE

You only need to look at a map to understand one of Tennessee's greatest advantages. Our location, less than a day's drive from nearly half of the U.S. population, puts us directly in the center of the automotive industry.

Of course, our prime location is only part of the story. Automakers and suppliers have found in Tennessee a wealth of other advantages and opportunities that, quite simply, help them build better products more efficiently. Take a closer look at Tennessee:

- Its prime geographic location borders eight states and is central to major U.S. markets & international ports.
- Access is easy to several major auto and truck manufacturers and more than 800 automotive suppliers throughout the state.
- Distribution is a major industry in Tennessee, thanks to hubs for several nationwide carriers and the world's largest cargo airport at Memphis.
- Readily available ancillary services vital to automotive manufacturers include a wide variety of iron and steel foundries, nonferrous foundries, heat treating, and tool & die makers.



OVER THREE-
QUARTERS OF
THE MAJOR
MARKETS IN THE
UNITED STATES
ARE WITHIN A
DAY'S DRIVE OF
TENNESSEE.

ASSEMBLING SEVEN MODELS



NISSAN NORTH AMERICA INC.

Smyrna, Tennessee 37167
Rutherford County
Announced 4/17/1980
Production began 6/16/1983
Manufactures: Maxima 3.5 SE Sport
Maxima 3.5 SL Luxury
Xterra Sport Utility Vehicle
Frontier Pickup Truck
Pathfinder SUV (2005)
Industrial Training: \$22.2 million



SATURN CORPORATION

Spring Hill, Tennessee 37174
Maury County
Announced 7/29/1985
Production began 7/30/1990
Manufactures: ION Sedan
Vue SUV
Polymer side panels for L-Series sedan
Industrial Training: \$22.2 million
Roads/Transportation: \$22.4 million



PETERBILT MOTORS COMPANY

Madison, Tennessee 37115
Davidson County
Established: 1969
Manufactures: Peterbilt 379 Series Heavy-Duty Truck

IN THE CENTER OF THE NATION

CONNECTED TO EVERYTHING

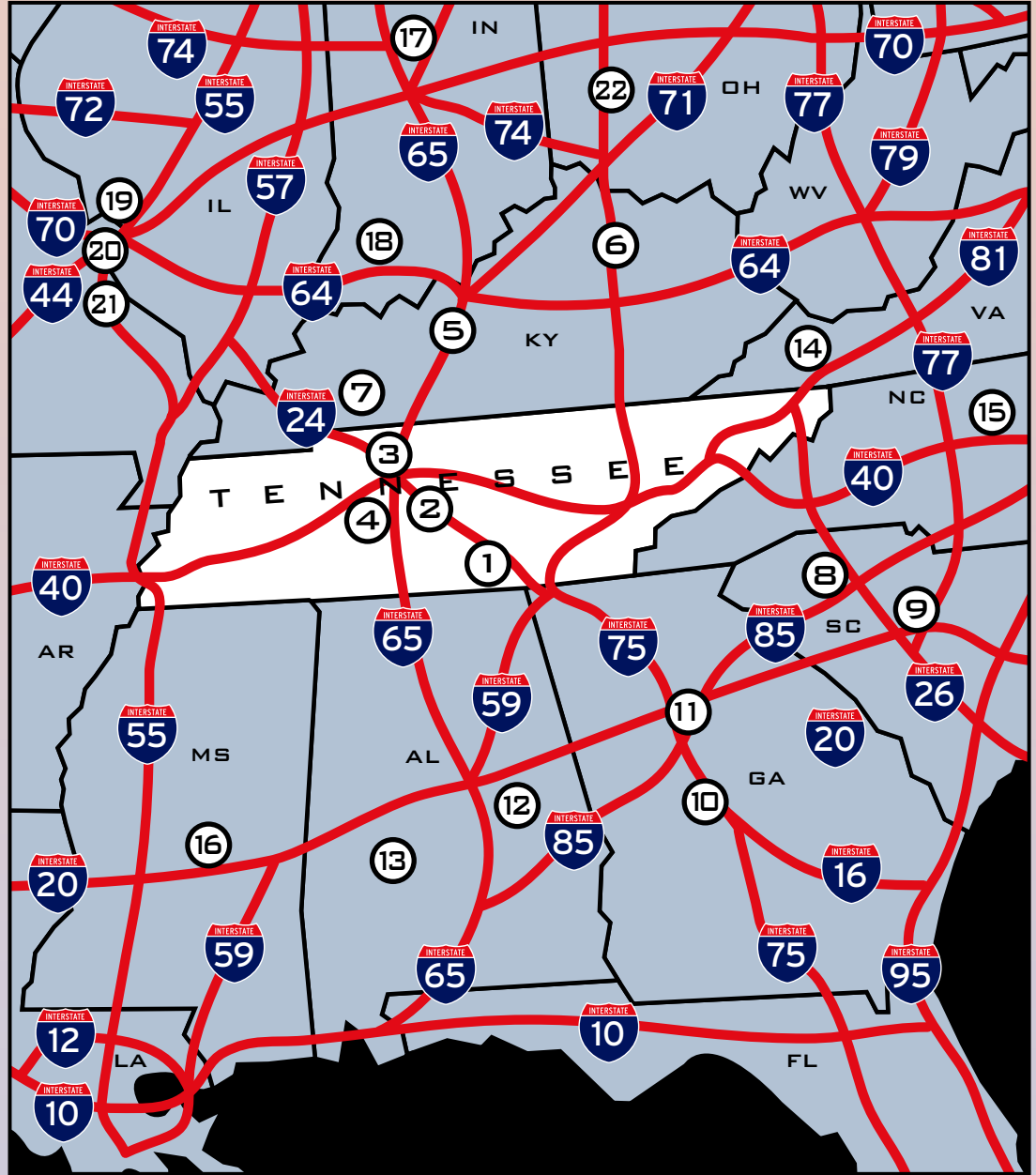
Tennessee clearly dominates the Southern automotive corridor, with four assembly plants, and more than 1,000 suppliers.

Tennessee ranks fifth among the 50 states in automotive production: fifth in passenger cars and eighth in light truck production.

Over 159,000 Tennesseans are employed in the automobile industry, and the sector accounts for 38.4% of the state's manufacturing base— 5.8% of total state employment.

The auto industry's payroll in Tennessee amounts to \$6.6 billion.

- ① NissanDecherd, TN
- ② NissanSmyrna, TN
- ③ Peterbilt.....Nashville, TN
- ④ Saturn.....Spring Hill, TN
- ⑤ Ford.....Louisville, KY
- ⑥ Toyota.....Georgetown, KY
- ⑦ GM.....Bowling Green, KY
- ⑧ BMWGreenville, SC
- ⑨ MackWinnsboro, SC
- ⑩ Ford.....Atlanta, GA
- ⑪ GM.....Doraville, GA
- ⑫ Honda.....Lincoln, AL
- ⑬ DaimlerChrysler.....Vance, AL
- ⑭ Freightliner.....Bluefield, VA
- ⑮ VolvoGreensboro, NC
- ⑯ NissanCanton, MS
- ⑰ Subaru-Isuzu.....Lafayette, IN
- ⑱ Toyota.....Princeton, IN
- ⑲ Ford.....St. Louis, MO
- ⑳ DaimlerChrysler.....St. Louis, MO
- ㉑ GM.....Wentzville, MO
- ㉒ GM.....Moraine, OH



OPEN FOR BUSINESS

Tennessee Economic & Community Development (ECD) is eager to assist automotive manufacturers and suppliers relocate and expand in Tennessee. Our excellent business climate offers numerous benefits for the auto industry, including:

- Zero sales tax on qualified industrial and machinery purchases.
- Tax exclusions on qualifying finished goods inventories.
- Customized workforce training through Tennessee's Industrial Training Service (ITS).
- Job Tax Credit (\$2,000 to \$3,000 per new full-time employee) available for eligible businesses.
- Access to technical expertise and technology transfer opportunities statewide.

FastTrack

BUSINESS CLIMATE

A Governor Who Gets It: Phil Bredesen

- Harvard-educated physicist with a successful track record as founder and CEO of a NYSE-listed health care company.
- Mayor of Nashville from 1991 to 1999, credited with spearheading a citywide renaissance.
- Economic developer with a proven track record, responsible for bringing such high-profile companies as Sprint PCS, Dell, HCA and Hewlett-Packard to Nashville during his tenure as mayor.
- Committed to maintaining and improving Tennessee's stature as a world-class business location.

A Legislature That Means Business

- Tennessee's General Assembly historically has demonstrated an overriding philosophy that favors business and development.
- A balanced budget is mandated by the state constitution.

Good Companies, Good Company

- Tennessee is headquarters to six Fortune 500 companies.
- Statewide, a spirit of entrepreneurship thrives.
- Diversified economy with emphasis on manufacturing.
- Chambers of commerce and development boards statewide cooperate regularly to provide businesses with the best possible environment for expansion.

We're Here For You

- Tennessee's Department of Economic & Community Development provides research on available buildings, facilities, industrial properties, demographics, community and county data profiles, labor statistics, wage surveys.
- Technical assistance is available in energy, environmental regulations, transportation, licensure, site location and export development.

TENNESSEE TAX-BASED INCENTIVES

Franchise Tax

- Tax on the greater of net worth or book value of property owned or used in Tennessee.
- Tax rate is 25¢ per \$100.
- Finished goods inventory in excess of \$30 million may be excluded.
- Pollution control equipment is exempt.
- Property under construction and not being utilized is not included.
- Property rented from local industrial development boards may be valued by capitalizing it on company books.

Excise Tax

- Tax is based on the net earnings of the company derived from the business in Tennessee.
- Tax rate is 6.5%.
- 1% credit on the purchase price of qualified industrial machinery and unused credit carried forward for 15 years.
- 1% credit on telephone equipment and computer equipment purchased under the required capital investment for jobs tax credit.
- All capital losses are claimed in the year incurred.
- Net operating losses can be carried forward for 15 years.
- Three-factor apportionment formula: property, payroll and sales.
- Additional credits or exclusions may be available.
- Tennessee does not have a throwback provision for sales outside the state.

Sales and Use Tax

- No sales tax on purchases, installation, and repairs of qualified industrial machinery.
- No sales tax on raw materials for processing.
- No sales tax on pollution control equipment for manufacturers.
- Reduced sales tax rates for manufacturers' use of energy fuel and water (1.5% vs. 7%).
- Additional exemptions or credits may be available.

Income Tax

- No state income tax based on wages.

Property Tax

- No state property tax.

Jobs Tax Credit

- \$2,000 per job (\$3,000 per job in special enhanced counties).
- Applied to both Franchise and Excise Tax.
- Must create 25 jobs.
- Must increase capital investment by \$500,000 in a qualified business enterprise.
- May be carried forward for 15 years.
- The percentage of liability offset ranges from 33.33% to 100% for employment ranging from 1,000 to 5,000 or more.

Headquarters Tax Credit

- Reduction of sales tax from 7% to 0.5% on building materials, machinery and equipment used in the construction or remodeling of a qualified headquarters facility.

Day Care Credit

- Applies to both Franchise and Excise Tax.
- Credit up to 25% of the cost of a day care facility not to exceed \$25,000 per facility with a maximum of \$100,000 per year.

How Tennessee Compares

- The Tax Foundation's latest study, "The State Business Tax Climate Index (2003)," ranked all 50 states in terms of how business-friendly their tax systems are. Tennessee ranked in the Top 10 nationwide, and higher than any of the eight states that border it, largely due to the fact that the state has neither a property nor a wage-based income tax.



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